

**BRONX ACADEMY OF
PROMISE CHARTER SCHOOL**

**FINANCIAL STATEMENTS
AND AUDITOR'S REPORTS**

JUNE 30, 2010

BRONX ACADEMY OF PROMISE CHARTER SCHOOL

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Independent Auditor's Report on Financial Statements

Board of Trustees Bronx Academy of Promise Charter School

We have audited the accompanying balance sheet of Bronx Academy of Promise Charter School as of June 30, 2010, and the related statements of activities, functional expenses and cash flows for the years then ended. These financial statements are the responsibility of Bronx Academy of Promise Charter School's management. Our responsibility is to express an opinion on these financial statements based on our audit. The prior-year summarized comparative information has been derived from the Bronx Academy of Promise Charter School's 2009 financial statement and, in our report dated November 25, 2009, we expressed an unqualified opinion on those financial statements.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Bronx Academy of Promise Charter School's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Bronx Academy of Promise Charter School as of June 30, 2010, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 1, 2010 on our consideration of Bronx Academy of Promise Charter School's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Loeb & Troper LLP

November 1, 2010

BRONX ACADEMY OF PROMISE CHARTER SCHOOL

BALANCE SHEET

JUNE 30, 2010

(With Summarized Financial Information for June 30, 2009)

	<u>2010</u>	<u>2009</u>
ASSETS		
Current assets		
Cash	\$ 41,583	\$ 283,749
Grants and contracts receivable	126,288	10,033
Prepaid expenses	<u>24,045</u>	<u>11,100</u>
Total current assets	191,916	304,882
Fixed assets - net (Note 3)	<u>112,734</u>	<u>126,177</u>
Total assets	<u>\$ 304,650</u>	<u>\$ 431,059</u>

LIABILITIES AND NET ASSETS

Current liabilities		
Accounts payable and accrued expenses	\$ 383,552	\$ 160,752
Accrued salaries and related liabilities	49,809	216,249
Due to New York City Department of Education	<u> </u>	<u>32,566</u>
Total current liabilities	433,361	409,567
Net assets (deficit) - unrestricted (Exhibit B)	<u>(128,711)</u>	<u>21,492</u>
Total liabilities and net assets	<u>\$ 304,650</u>	<u>\$ 431,059</u>

See independent auditor's report.

The accompanying notes are an integral part of these statements.

BRONX ACADEMY OF PROMISE CHARTER SCHOOL

STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2010
 (With Summarized Financial Information
 for the Year Ended June 30, 2009)

	<u>2010</u>	<u>2009</u>
Revenues		
State and local per-pupil operating revenues	\$ 3,213,033	\$ 2,365,603
Government grants and contracts	487,998	157,441
Contributions		6,224
Sales and other revenues	<u>20,642</u>	<u>11,805</u>
Total revenues	<u>3,721,673</u>	<u>2,541,073</u>
Expenses		
Program services		
Education	2,785,792	1,542,284
Special education	<u>90,716</u>	<u>55,704</u>
Total program services	<u>2,876,508</u>	<u>1,597,988</u>
Supporting services		
Management and general	989,903	918,362
Fundraising	<u>5,465</u>	<u>3,231</u>
Total supporting services	<u>995,368</u>	<u>921,593</u>
Total expenses (Exhibit C)	<u>3,871,876</u>	<u>2,519,581</u>
Change in unrestricted net assets (Exhibit D)	(150,203)	21,492
Net assets - unrestricted - beginning of year	<u>21,492</u>	<u> </u>
Net assets (deficit) - unrestricted - end of year (Exhibit A)	<u>\$ (128,711)</u>	<u>\$ 21,492</u>

See independent auditor's report.

The accompanying notes are an integral part of these statements.

BRONX ACADEMY OF PROMISE CHARTER SCHOOL

EXHIBIT C

STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED JUNE 30, 2010

(With Summarized Financial Information for the Year Ended June 30, 2009)

	Program Services		Supporting Services		Total
	Education	Special	General	Fundraising	
		Education			
Salaries	\$ 1,298,998	\$ 52,070	\$ 419,997	\$ 4,284	\$ 1,775,349
Payroll taxes and employee benefits	212,853	8,532	68,820	702	290,907
Occupancy (Note 4)	598,121	14,413	108,094		720,628
Contracted services	126,857	2,589			129,446
Supplies and equipment	178,714	4,306	32,298		215,318
Repairs and maintenance	74,740	1,801	13,507		90,048
Printing and postage	5,009	121	905		6,035
Professional fees	74,460	2,089	305,030		381,579
Dues and subscription	1,814	55	837	84	2,790
Insurance	21,428	516	3,873		25,817
Telephone	18,653	449	3,371		22,473
Travel	402	402	998		1,400
Professional development	59,697	1,218	986		61,901
Management fees					
Computer expense	52,707	1,270	9,525		63,502
Payroll processing fees					
Board expenses	10,937	264	1,582	395	13,178
Depreciation	42,455	1,023	7,673		51,151
Miscellaneous expenses	7,947		12,407		20,354
Total expenses (Exhibit B)	\$ 2,785,792	\$ 90,716	\$ 989,903	\$ 5,465	\$ 3,871,876
					\$ 2,519,581

See independent auditor's report.

The accompanying notes are an integral part of these statements.

BRONX ACADEMY OF PROMISE CHARTER SCHOOL

STATEMENT OF CASH FLOWS

YEAR ENDED JUNE 30, 2010

Cash flows from operating activities	
Change in net assets (Exhibit B)	\$ (150,203)
Adjustments to reconcile change in net assets to net cash used by operating activities	
Depreciation	51,151
Increase in assets	
Grants and contracts receivable	(116,255)
Prepaid expenses	(12,945)
Increase (decrease) in liabilities	
Accounts payable and accrued expenses	222,800
Accrued salaries and related liabilities	(166,440)
Due to New York City Department of Education	<u>(32,566)</u>
Net cash used by operating activities	(204,458)
Cash flows from investing activities	
Fixed asset acquisitions	<u>(37,708)</u>
Net decrease in cash	(242,166)
Cash - beginning of year	<u>283,749</u>
Cash - end of year	<u>\$ 41,583</u>

See independent auditor's report.

The accompanying notes are an integral part of these statements.

BRONX ACADEMY OF PROMISE CHARTER SCHOOL

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2010

NOTE 1 - NATURE OF ORGANIZATION

Bronx Academy of Promise Charter School (BAOP) is an educational corporation that operates as a charter school in the borough of Bronx, New York City. On April 21, 2008, the Board of Regents and the Board of Trustees of the University of the State of New York for and on behalf of the State Education Department granted BAOP a charter valid for a term of 5 years and renewable upon expiration. BAOP was organized to increase learning opportunities for students through innovative educational programs and to enable parents to be more involved in their children's education. In fiscal year 2010, BAOP operated classes for 250 students in grades K-3. BAOP began operations on May 1, 2008.

Bronx Academy of Promise Charter School is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code. BAOP is supported primarily by state and local per-pupil operating revenues.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of accounting - The financial statements are prepared on the accrual basis of accounting.

Use of estimates - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

FASB Accounting Standards Codification - In July 2009, the FASB adopted FASB Accounting Standards Codification (ASC) as the single source of authoritative nongovernmental U.S. Generally Accepted Accounting Principles (GAAP). The Codification is effective for interim and annual periods ending after September 15, 2009. All existing accounting standards documents are superseded as described in FASB Statement No. 168, *The FASB Accounting Standards Codification and the Hierarchy of Generally Accepted Accounting Principles*. All other accounting literature not included in the Codification is nonauthoritative.

Receivables - Receivables are recorded when services are rendered. Receivables are presented net of allowances for doubtful accounts. The allowances are based on management's evaluation of the collectibility of the related accounts. Interest is not accrued or recorded on outstanding receivables.

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BRONX ACADEMY OF PROMISE CHARTER SCHOOL

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2010

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Allowance for doubtful accounts - BAOP determines whether an allowance for uncollectibles should be provided for receivables. Such estimates are based on management's assessment of the aged basis of its receivables, current economic conditions and historical information. Receivables are written off against the allowance for doubtful accounts when all reasonable collection efforts have been exhausted.

Contributions - Unconditional contributions, including promises to give cash and other assets, are reported at fair value at the date the contribution is received. All contributions are considered to be available for unrestricted use unless specifically restricted by the donors. The gifts are reported as temporarily or permanently restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified as unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Functional allocation of expenses - Expenses are allocated among the program and supporting services based on the nature of the expense.

Fixed assets - Fixed assets are recorded at cost. Items with a cost of \$1,000 and an estimated useful life of more than one year are capitalized. Depreciation and amortization are provided on the straight-line basis over the estimated following useful lives of assets:

Furniture, fixtures and equipment	3 - 5 years
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Unrestricted net assets - Unrestricted net assets include funds having no restrictions as to use or purpose imposed by donors.

State and local per-pupil revenues - Revenues from the state and local governments resulting from BAOP's charter status and based on the number of students enrolled are recorded when services are performed in accordance with the charter agreement. Federal and state funds are recorded by BAOP when expenditures are incurred and billed.

Government grants and contracts - Revenues from government grants and contracts to which BAOP is entitled are recognized mostly on student enrollment. Some grants are provided for specific educational endeavors which are not based on student enrollment and are recorded when related expenditures are incurred by BAOP.

Due to New York City Department of Education - Due to New York City Department of Education is recorded when payments received exceed the per-pupil revenue.

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BRONX ACADEMY OF PROMISE CHARTER SCHOOL

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2010

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Restatement - Certain prior-year balances have been reclassified to conform to the current year's presentation.

Accounting for uncertainty in income taxes - Effective January 1, 2009, BAOP adopted the provision pertaining to uncertain tax positions and has determined that there are no material uncertain tax positions that require recognition or disclosure in the financial statements.

Subsequent events - Subsequent events have been evaluated through November 1, 2010, which is the date the financial statements were available to be issued.

NOTE 3 - FIXED ASSETS

Furniture, fixtures and equipment	\$ 200,777
Accumulated depreciation	<u>(88,043)</u>
	<u>\$ 112,734</u>

NOTE 4 - LEASE COMMITMENT

BAOP entered into a one-year lease of a school building which expired on October 31, 2009. BAOP verbally extended the lease for an additional year ending October 1, 2010. The lease for fiscal year 2010-2011 is still being negotiated. Rent expense for the year ended June 30, 2010 is \$653,250.

NOTE 5 - PENSIONS

BAOP had a defined contribution retirement plan which covered substantially all full-time employees. BAOP contributed an amount equal to 5% of the employees' contribution to the plan up to the legal maximum amount allowed. Pension expense under this plan was \$30,633.

NOTE 6 - CONTINGENCIES AND CONCENTRATIONS

Certain grants and contracts may be subject to audit by the funding sources. Such audits might result in disallowances of costs submitted for reimbursement. Management is of the opinion that such cost disallowances, if any, will not have a material effect on the accompanying financial statements. Accordingly, no amounts have been provided in the accompanying financial statements for such potential claims.

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BRONX ACADEMY OF PROMISE CHARTER SCHOOL**NOTES TO FINANCIAL STATEMENTS****JUNE 30, 2010****NOTE 6 - CONTINGENCIES AND CONCENTRATIONS (continued)**

Financial instruments that potentially subject BAOP to a concentration of credit risk are cash accounts with major financial institutions in excess of FDIC insurance limits. Management believes that the credit risk related to these accounts is minimal.

A significant portion of BAOP's operating revenue is paid by New York City Department of Education.

**Independent Auditor's Report on
Internal Control Over Financial Reporting
and on Compliance and Other Matters
Based on an Audit of Financial Statements Performed
in Accordance with Government Auditing Standards**

**Board of Trustees
Bronx Academy of Promise Charter School**

We have audited the financial statements of Bronx Academy of Promise Charter School as of and for the year ended June 30, 2010, and have issued our report thereon dated November 1, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Bronx Academy of Promise Charter School's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Bronx Academy of Promise Charter School's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness Bronx Academy of Promise Charter School's internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Bronx Academy of Promise Charter School's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of management, the Board of Trustees, others within the entity, and the New York State Department of Education and is not intended to be and should not be used by anyone other than these specified parties.

Loeb + Troper LLP

November 1, 2010

BRONX ACADEMY OF PROMISE CHARTER SCHOOL
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2010

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued:	<u>Unqualified</u>		
Internal control over financial reporting:			
Material weakness(es) identified?	<u> </u> yes	<u> X </u> no	
Significant deficiency(ies) identified not considered to be material weaknesses?	<u> </u> yes	<u> X </u> none	
Noncompliance material to financial statements noted?	<u> </u> yes	<u> X </u> no	

Section II - Financial Statement Findings

No findings noted.

BRONX ACADEMY OF PROMISE CHARTER SCHOOL

SCHEDULE OF PRIOR AUDIT FINDINGS

YEAR ENDED JUNE 30, 2010

09-01 Recordkeeping

During 2009, BAOP terminated its relationship with the management company. The management company managed and retained various records on behalf of BAOP and those records were kept off site. BAOP was still finalizing the termination agreement with the management company and has not been able to obtain the following documents:

- General insurance documents
- Quarterly 941s
- Copies of payroll checks
- Pension documents

We recommend that original documents of this nature be kept on site, while copies may be stored off site, where needed, for board purposes or other related needs.

Follow-up

This condition no longer exists.